

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7469

BILL NUMBER: HB 1410

DATE PREPARED: Apr 7, 1999

BILL AMENDED: Apr 5, 1999

SUBJECT: Infant Hearing Loss Testing.

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FUNDS AFFECTED: X GENERAL
X DEDICATED
X FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill adds hearing examinations to the tests required under the Newborn Screening Program. The bill requires state employee health plans, insurance policies, and group contracts that provide maternity benefits to pay for the tests required under the Newborn Screening Program.

The bill also establishes the Newborn Hearing Screening and Intervention Advisory Board to provide advice and recommendations on issues concerning hearing impairment. It sunsets the Board on July 1, 2002.

The bill provides that a hospital shall begin providing hearing examinations as soon as the hospital possesses the necessary equipment.

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) This bill adds hearing examinations to the tests required under the Newborn Screening Program. The hearing examinations are reimbursable under the Medicaid program for newborns eligible for Medicaid. However, the decision on whether to reimburse for these expenditures is an administrative decision.

Potential Medicaid Impact: There are approximately 35,000 newborns who are Medicaid eligible. Two-thirds of the Medicaid-eligible newborns, or about 23,450 newborns, receive services under the Primary Care Case Management (PCCM) system, which is a modified fee-for-service system.

The most commonly used test used on newborns to screen for hearing loss is the Otoacoustic Emissions (OAE) test. The average cost of the OAE test is \$25. The state share of the Medicaid cost is about 38.89% or about \$9.68. If all of the 23,450 Medicaid PCCM newborns are tested, the cost to the state under the PCCM program would be approximately \$226,762. This estimate may be overstated to the extent that some hospitals are already performing the exams and the costs are already factored into the hospital payment rates.

In addition, about one-third of the newborns are enrolled in the Medicaid Risk-Based Managed Care (RBMC) program for which testing costs would be covered under a capitated rate. While there is no short term impact to the state for the individuals in the risk-based managed care program, increased costs would likely lead to higher capitation rates in the future.

Currently, the Office of Medicaid Policy and Planning plans not to recalculate the hospital reimbursement rates to factor in these additional expenditures until 2001.

Newborn Hearing Screening and Intervention Advisory Board: The bill also creates the Newborn Hearing Screening and Intervention Advisory Board to provide advice and recommendations on issues concerning hearing impairment. Board members will not receive per diem or travel reimbursement. The bill requires the State Department of Health (SDOH) to provide staff to the Board. Any costs to the SDOH in providing staff to the Board can be absorbed within the existing budget.

Costs to State Employee Health Plans: This bill mandating coverage of hearing tests for infants may also impact costs faced by the health care plans providing coverage to state employees. Additional costs to the health plans from this provision are estimated to be about \$48,000. The increased costs may be reflected in increased premiums and enrollment fees charged by the plans. Increased premiums and fees, however, may or may not result in additional costs to the state, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits. The state currently pays about 95% of aggregate employee health plan costs.

Explanation of State Revenues:

Explanation of Local Expenditures: Similar to the state, mandated coverage of hearing examinations for infants may increase costs to some insurance plans purchased by local governments and school corporations in the provision of health benefits to their employees. Increased premiums and enrollment fees, however, may or may not result in additional costs to local governments and school corporations, depending upon administrative action as to the determination of the employer/employee cost share for health plan benefits offered to employees. The impact on local units of government and school corporations would differ by local unit and the particular benefit plan currently provided to employees.

Explanation of Local Revenues:

State Agencies Affected: Family and Social Services Administration, Office of Medicaid Policy and Planning, State Department of Health.

Local Agencies Affected: Local Governments and School Corporations.

Information Sources: Marilyn Cage, SDOH, 233-2170; Keith Beesley, Department of Personnel, 232-3062; Dr. James Lemons, IU-Riley, 274-4716, National Institute of Health Consensus Statement on Early Identification of Hearing Impairment in Infants and Young Children.